



# ENERGY SITUATION ANALYSIS REPORT



May 10, 2002

(next scheduled update: May 13, 2002)

Energy Information Administration  
US Department of Energy  
Washington, DC 20585  
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Petroleum Natural Gas Coal Electricity

## Latest Energy Market Developments

(updated May 10, 2002)

After closing sharply (4.6%) higher on Wednesday, prices for West Texas Intermediate crude oil futures for near-month (June) delivery on the NYMEX eased down slightly -- 17 cents per barrel -- on Thursday, May 9, to \$27.85 per barrel. On Friday morning, however, oil prices were up somewhat on concerns over a possible Israeli military action in the Gaza Strip following a suicide bombing near Tel Aviv on Tuesday, May 7. Although the end of Iraq's 30-day oil embargo is expected to add additional oil supplies to world markets, renewed Middle East violence and strong market fundamentals generally are combining to keep oil prices near their highest levels since mid-September, 2001.

The Energy Information Administration Wednesday morning reported that U.S. commercial crude oil inventories (i.e., excluding the Strategic Petroleum Reserve) fell by 5.5 million barrels for the week ending May 3, dipping below year-ago levels for the first time since the week ending March 16, 2001. The United States is feeling the impacts of reduced global production from both the OPEC/non-OPEC supply cutbacks over the past several months. In addition, effects of Iraq's 30-day oil embargo, which ended May 8, may have begun to be reflected in U.S. oil inventories.

Oil inventories are particularly low (down 5 million barrels from a year ago) in the U.S. Midwest, which has implications for U.S. oil prices since the Cushing, Oklahoma delivery point for the key West Texas Intermediate crude stream is located in that region. As a result, there has been a widening in recent days of the "spread" between WTI and Brent prices.

Other topics affecting **world oil markets** include:

- According to a survey by Platts, the OPEC-10 (excluding Iraq, which maintained a unilateral oil embargo for much of the month) averaged production of 22.91 million barrels per day in April, which is 1.2 million barrels per day higher than OPEC's official output ceiling of 21.7 million barrels per day. In fact, the only country producing within its assigned OPEC quota during April, according to Platts, was Venezuela, whose output was reduced by several days of strikes and political unrest. Saudi Arabia reportedly increased its output in April by 60,000 barrels per day.
- Iraq began pumping crude oil to its export terminals (Ceyhan and Mina al-Bakr) on Wednesday after lifting a month-long embargo that began on April 8, the official Iraqi news agency said. Iraq had attempted to persuade other Arab and Islamic countries to halt their oil output as well, but with no success. Loadings at Mina al-Bakr resumed on May 9. Loadings at Ceyhan are expected to resume on May 15.
- Saudi Arabian oil minister Ali Naimi again stated on Thursday that the Saudi government is opposed to any oil embargo.
- The UN Security Council delayed a vote on extending the Iraq "Oil-for-Food" program until at least next week. The proposed resolution would extend the "Oil-for-Food" program for another six months, and in a significant change would establish a list of "dual-use" (i.e., civilian or military) items that require UN approval before Iraq can purchase them. Under this proposal, all humanitarian contracts would be forwarded to the UN Monitoring and Verification Committee, as well as the International Energy Agency, which would review the contracts for "dual-use" items and have 10 days to raise any objections.

Other recent developments in **U.S. energy markets** include:

- As of May 10, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 566.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- Natural gas prices were steady yesterday, as traders awaited new estimates of storage levels in the U.S. and forecasts indicated a cold front would relieve the South from current hot temperatures. The price of natural gas at the Henry Hub fell 2 cents for an average price of \$3.72 per MMBtu.
- While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady.
- Wholesale electricity prices at most trading centers in the Western U.S increased yesterday as natural gas prices increased. Prices in the Northeast region were mixed. Since Monday May 6, the average price at all trading centers has been relatively stable ranging between a high of \$30.83 per megawatthour and a low of \$29.67 per megawatthour.

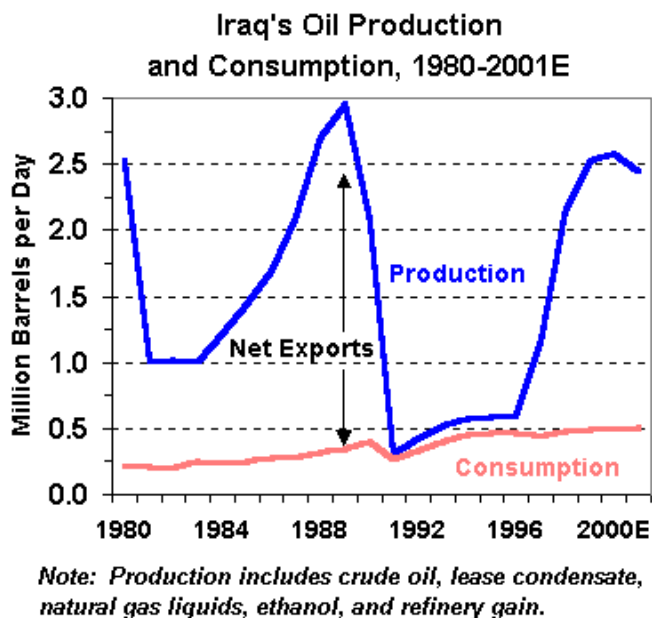
## Special Topic -- Basic Facts on [Iraq](#)

(updated May 8, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. According to the Iraqi government, Iraq began pumping crude oil to its export terminals on Wednesday after lifting a month-long embargo, with loadings of Iraqi crude oil to begin on Thursday, May 9.

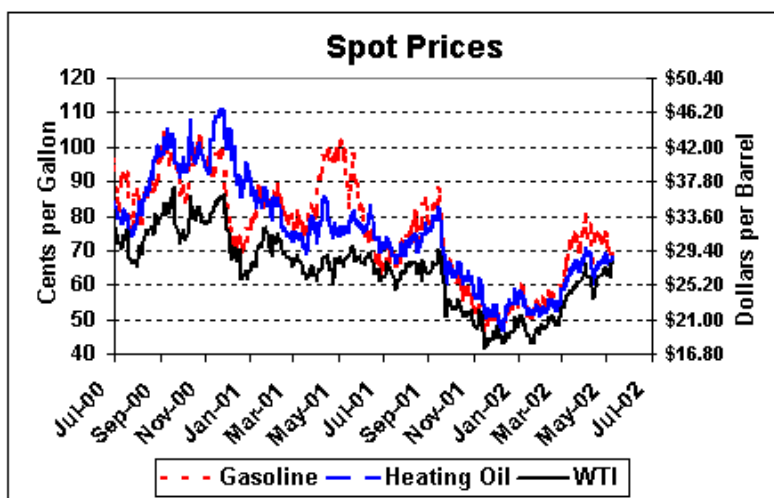
The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Saudi Arabia, Mexico, Canada, Venezuela, and Nigeria.

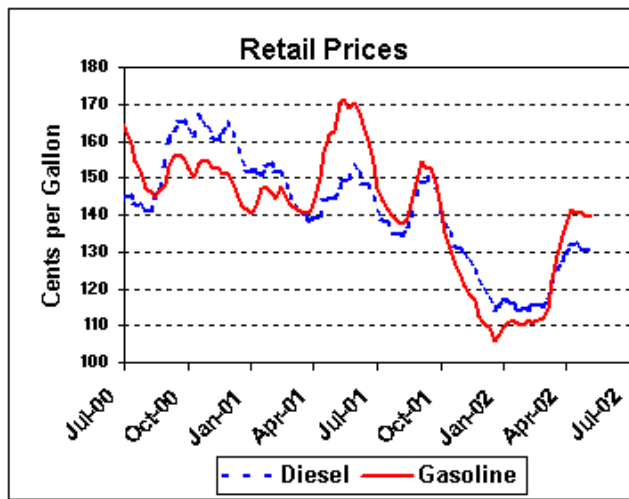
The current phase of the "Oil-for-Food" program expires at the end of May 2002. Temporary downturns in Iraqi exports in association with program rollovers are common.



### U.S. Petroleum Prices

(updated May 10, 2002)





Source: Energy Information Administration (EIA)

### Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal	cents per gallon		cents per gallon	
3/22/2002	\$25.56	\$25.35	70.82	80.08	64.83	65.27	65.45	39.69	38.25		
3/25/2002	\$25.69	\$24.99	69.55	78.81	63.60	64.16	64.60	39.00	37.75	134.2	128.1
3/26/2002	\$25.75	\$25.36	70.81	80.08	65.23	65.68	66.26	39.75	38.25		
3/27/2002	\$25.79	\$25.87	74.55	82.05	66.40	66.72	67.80	40.50	39.63		
3/28/2002	\$26.21	\$26.31	74.88	82.49	67.05	66.89	67.95	40.63	41.00		
3/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
4/1/2002	\$26.82	\$26.88	78.25	84.90	68.40	68.69	68.05	42.38	41.88	137.1	129.5
4/2/2002	\$27.75	\$27.71	80.15	86.98	70.65	70.95	72.75	44.82	44.63		
4/3/2002	\$27.55	\$27.56	76.35	84.84	70.40	70.83	72.50	44.38	44.25		
4/4/2002	\$26.64	\$26.58	74.75	82.33	68.40	68.66	70.50	44.01	44.50		
4/5/2002	\$26.21	\$26.21	73.70	81.70	68.15	68.22	70.05	43.00	42.19		
4/8/2002	\$26.16	\$26.54	77.57	84.19	69.57	69.30	71.20	43.82	42.94	141.3	132.3
4/9/2002	\$25.45	\$25.82	75.13	83.39	66.80	67.80	68.50	41.19	40.13		
4/10/2002	\$26.15	\$26.13	76.00	83.44	67.35	67.84	68.98	41.00	40.13		
4/11/2002	\$24.93	\$24.99	72.53	78.87	64.73	64.71	66.50	39.00	37.69		
4/12/2002	\$23.51	\$23.47	66.48	72.96	60.03	60.05	61.93	38.07	36.63		
4/15/2002	\$24.53	\$24.57	73.00	78.63	63.07	63.34	65.09	39.50	38.00	140.4	132.0
4/16/2002	\$24.92	\$24.75	74.73	79.29	64.23	63.78	66.25	39.50	38.00		
4/17/2002	\$25.94	\$25.94	74.70	80.77	65.10	65.40	67.25	40.25	38.75		
4/18/2002	\$25.86	\$26.18	74.57	81.13	65.30	65.58	67.25	41.13	39.13		
4/19/2002	\$26.43	\$26.38	73.95	80.40	65.65	65.91	67.75	40.38	37.88		
4/22/2002	\$26.28	\$26.27	72.82	79.02	65.55	65.81	67.65	41.00	38.50	140.4	130.4
4/23/2002	\$26.28	\$26.62	74.11	80.16	66.40	66.53	69.07	41.69	39.32		
4/24/2002	\$26.28	\$26.38	71.89	78.76	66.10	66.12	68.28	41.13	39.19		
4/25/2002	\$26.36	\$26.73	72.50	79.37	66.70	67.20	69.10	41.50	39.69		
4/26/2002	\$27.12	\$27.11	74.00	81.39	67.60	67.90	70.00	40.69	39.25		
4/29/2002	\$27.45	\$27.57	74.95	83.36	68.95	69.20	71.20	41.57	39.25	139.3	130.2
4/30/2002	\$27.32	\$27.29	74.93	82.30	68.65	68.90	70.90	42.00	39.88		
5/1/2002	\$26.58	\$26.75	72.75	80.48	67.33	67.42	69.65	41.63	39.51		
5/2/2002	\$26.31	\$26.24	71.73	78.49	66.38	66.07	68.48	41.09	38.50		
5/3/2002	\$26.75	\$26.62	70.78	78.77	66.40	66.53	68.28	41.07	38.63		
5/6/2002	\$26.11	\$26.12	69.07	77.45	64.40	64.98	66.00	40.75	38.13	139.5	130.5
5/7/2002	\$26.79	\$26.63	68.94	78.28	65.80	65.86	67.75	41.00	38.63		
5/8/2002	\$27.76	\$27.85	68.78	78.77	66.80	67.40	68.85	42.50	40.38		
5/9/2002	\$27.78	\$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

### Latest U.S. Weekly EIA Petroleum Information

(updated May 8, 2002)

#### It's A Crude, Crude World

Crude oil dominated petroleum markets last week, as world events once again demonstrated how global the crude oil market actually is. Beginning today, Iraq is expected to once again start exporting oil under the United Nations "Oil-for-Food" program, after ending a self-imposed 30-day cut-off in support of the Palestinians. Yet, as Iraq is beginning to export oil to global markets once again, the United States may just be beginning to feel the impacts of the 30-day cut-off. While weekly data on sources of U.S. crude oil imports are very preliminary and thus not published, it does appear that crude oil imports from Iraq were

down sharply from average levels. Of course, as is the nature of weekly import data, it may be too early to emphatically say that we have begun a period in which U.S. crude oil imports from Iraq will be reduced as a result of the cut-off last month. But clearly, the impact of reduced Iraqi imports will be felt sometime over the course of this month, due to the length of time it takes for the oil to be shipped from Iraq to the United States. How ironic it is that just as Iraq begins to export again, the United States may begin to feel the effects of the cut-off.

Although crude oil imports remained above 9 million barrels per day for the third week in a row last week, they have still averaged about 800,000 barrels per day less over the last four weeks compared to the same time last year. With OPEC and some major non-OPEC countries agreeing to reduce production and/or exports so far this year, it is not surprising that the country that imports the most oil in the world (the United States) is feeling the impacts of reduced global production. Partly as a result of this, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) dropped 5.5 million barrels, thereby falling below year-ago levels for the first time since the week ending March 16, 2001. This was not at all surprising, as the surplus to year-ago levels has been rapidly declining since the week ending March 1, 2002, when crude oil inventories were more than 40 million barrels above year-ago levels. If product demand begins to increase as well, we could be in a situation later this month in which both crude oil and product inventories are both falling at the same time.

Events in the Middle East also have dominated the news of late and impacted crude oil markets. While late last week it appeared that tensions in the Middle East were being tempered, West Texas Intermediate crude oil prices once again returned to below \$27 per barrel. However, crude oil prices in the short-term will likely continue to ebb and flow somewhat in relation to global events such as the Israel-Palestine situation, the level of Iraqi exports, and expectations of the possibility of changes or lack of change in OPEC production quotas as we get closer to their June 26 meeting. With little in the way of news related to petroleum products, the global crude oil market has taken center stage.

#### **Retail Gasoline Prices See Little Change**

The national average retail price for regular motor gasoline on May 6 gained slightly from the previous week, increasing 0.2 cents per gallon to end at 139.5 cents per gallon. This price is 30.8 cents per gallon lower than last year. Prices have remained relatively flat over the past four weeks, with slight up and down changes. Prices were mostly down throughout the country on May 6, except for the Midwest, which saw an increase of 1.5 cents per gallon from the previous week, ending at 137.0 cents per gallon. Prices remained unchanged on the East Coast, staying at 137.9 cents per gallon for the second week. The largest price decrease occurred in California, where prices dropped 1.8 cents per gallon. The relative calm in gasoline markets over the past few weeks may mean that the small bumps we are seeing in the retail price may simply be the pass-through of price changes in the wholesale market over the past 6 weeks or so. Retail diesel fuel prices increased by 0.3 cent per gallon after falling for three weeks, to a national average of 130.5 cents per gallon as of May 6.

#### **Above Average Propane Build**

The monthly propane stockbuild totaled an above average 6.1 million barrels, boosting U.S. inventories of propane to an estimated 45.8 million barrels as of April 30, 2002. The average April stockbuild over the past five years was nearly 5.2 million barrels. Regional gains were evenly distributed at 2.7 million barrels in the Midwest and Gulf Coast regions last month, while the East Coast reported a nearly 0.4 million-barrel increase during this same period.

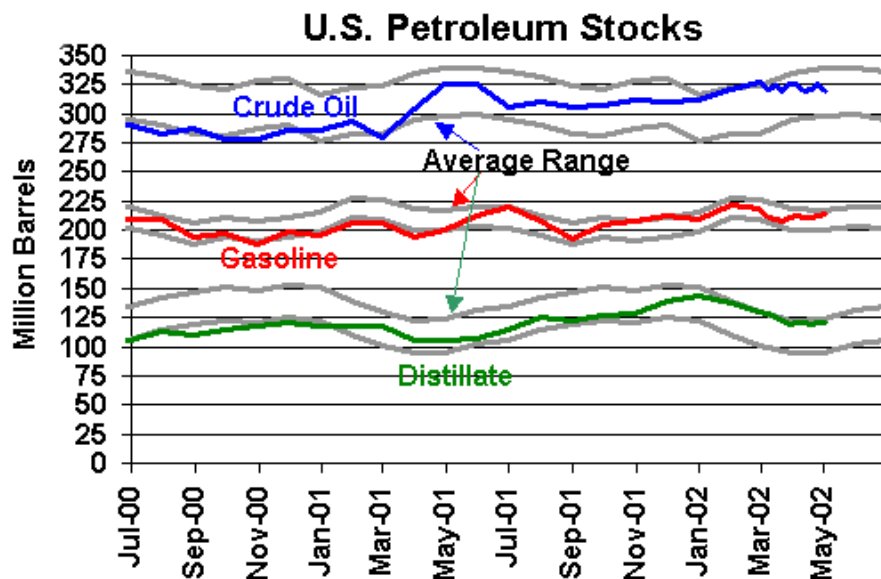
The summer build season typically lasts from April through September, with inventory additions averaging about 37 million barrels over the past five years. However, during this period, inventory builds have ranged from a low of 23 million barrels during 1999, to a high of 47 million barrels during 1998. But with propane inventories beginning the build season from the highest end of March level since 1987, even a low build scenario would cause U.S. inventories of propane to reach well above the 60-million barrel level many industry observers believe is adequate for the start of the heating season.

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## Energy Situation Analysis Report

## U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	5/3/2002	5/3/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,276	15,553	-277	-1.8%
Operable Capacity	16,800	16,636	164	1.0%
Operable Capacity Utilization (%)	91.5%	94.9%	-3.4%	
<b>Production</b>				
Motor Gasoline	8,515	8,461	54	0.6%
Jet Fuel	1,494	1,552	-58	-3.8%
Distillate Fuel Oil	3,682	3,651	31	0.8%
<b>Imports</b>				
Crude Oil (incl. SPR)	8,992	9,809	-817	-8.3%
Motor Gasoline	885	775	110	14.1%
Jet Fuel	123	155	-32	-20.6%
Distillate Fuel Oil	196	304	-108	-35.5%
<b>Total</b>	<b>11,293</b>	<b>12,306</b>	<b>-1,013</b>	<b>-8.2%</b>
<b>Exports</b>				
Crude Oil	33	12	21	175.0%
Products	936	950	-14	-1.5%
<b>Total</b>	<b>971</b>	<b>962</b>	<b>9</b>	<b>1.0%</b>
<b>Products Supplied</b>				
Motor Gasoline	8,686	8,558	128	1.5%
Jet Fuel	1,596	1,655	-59	-3.6%
Distillate Fuel Oil	3,741	3,805	-64	-1.7%
<b>Total</b>	<b>19,430</b>	<b>19,584</b>	<b>-154</b>	<b>-0.8%</b>
<b>Stocks (Million Barrels)</b>				
	<b>5/3/2002</b>	<b>5/3/2001</b>	<b>Diff.</b>	<b>% Diff.</b>
Crude Oil (excl. SPR)	320.0	325.4	-5.4	-1.7%
Motor Gasoline	214.1	201.5	12.6	6.3%
Jet Fuel	40.3	40.8	-0.5	-1.2%
Distillate Fuel Oil	121.5	105.2	16.3	15.5%
<b>Total (excl. SPR)</b>	<b>1,006.7</b>	<b>976.9</b>	<b>29.8</b>	<b>3.1%</b>



## World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

<b>Major Sources of U.S. Petroleum Imports, 2001*</b> (all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.79	1.32	0.47
<b>Saudi Arabia</b>	1.66	1.61	0.05
<b>Venezuela</b>	1.54	1.28	0.26
<b>Mexico</b>	1.42	1.38	0.04
<b>Nigeria</b>	0.86	0.81	0.04
<b>Iraq</b>	0.78	0.78	0.00
<b>Norway</b>	0.33	0.27	0.06
<b>Angola</b>	0.32	0.31	0.07
<b>United Kingdom</b>	0.31	0.23	0.08
<b>Total Imports</b>	11.62	9.15	2.47

\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

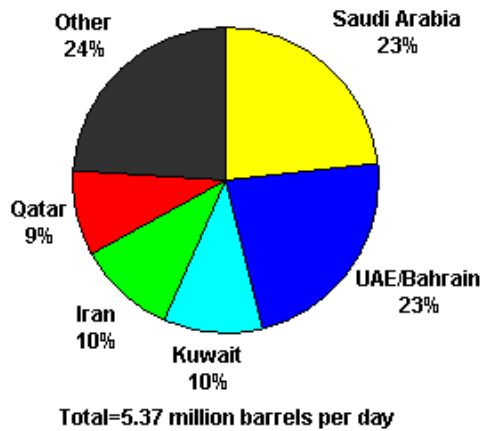
<b>Top World Oil Net Exporters, 2001*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

\*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.

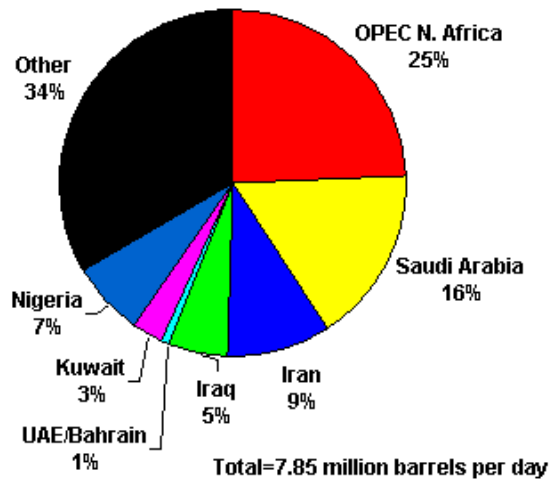
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country, 2001**



**OECD European Net Oil Imports by Country, 2001**



## Latest U.S. Weekly Natural Gas Information

(updated May 10, 2002)

### Industry/Market Developments

**EIA releases weekly gas storage estimates:** EIA initiated its [Weekly Gas Storage Report](#) on May 9 with the release of estimates of U.S. underground storage stocks. The *Weekly Gas Storage Report* continues the regional division of storage fields (Consuming Region East, Consuming Region West, and the Producing Region) established in the former storage report issued by the American Gas Association (AGA). As with the AGA report, EIA's weekly storage report provides comparisons with year-ago stocks, as well as statistics on 5-year average stocks. EIA has also released a report, [Comparative Assessment of EIA and AGA Weekly Storage Estimates](#), on its web site comparing the AGA and EIA survey methods and providing estimates of natural gas in underground storage for the weeks between March 15 and April 26, 2002. Historical estimates of weekly stocks from 1994 forward are also available on the web site, along with a description of the methodology used in the calculations. Previously, EIA posted a report on the estimation methods for calculation of the weekly inventory levels published in the weekly storage survey. This report is available at the EIA Web site at <http://tonto.eia.doe.gov/oog/info/ngs/methodology.html>. Storage activity estimates will be released regularly on Thursdays, except for certain weeks with Federal holidays.

**MMS issues report on Gulf of Mexico production:** Oil and gas activity in the Deepwater Gulf of Mexico reached record levels in 2001 as 14 new projects began producing, according to the report *Deepwater Gulf of Mexico 2002: America's Expanding Frontier*, released by the Minerals Management Service (MMS). As of the end of 2001, there were 51 projects in production, up from 16 in 1997. An additional 13 projects will likely start producing in 2002, continuing the surge of activity that has increased gas production in the deepwater by 550 percent since 1995. After noting the emergence of extensive exploration and development activity in previous studies, the MMS now reports activity has "reached a level of maturity" that makes the deepwater (defined as greater than or equal to 1,000-foot depths) Gulf an expanding frontier. MMS notes that the depth of exploration sites in the Gulf of Mexico has steadily increased over the past 5 years, and that deepwater gas production has grown by more than 400 million cubic feet per day (MMcf/d) every year since 1997. Ultra-deepwater activity (defined as greater than or equal to 5,000-foot depths), which is also accelerating, included a significant discovery at a water depth of 9,727 feet. Since their last study on the subject in 2000, drilling rigs operating in the deepwater Gulf have increased from 28 to 43. Since 1992, the average shallow-water field increased proved and unproved reserves of natural gas by the equivalent of 6 million barrels of oil (BOE). The average deepwater field yielded over 10 times that amount of reserve additions, at an average of 64 million BOE.

### Storage

Net injections of natural gas into storage were 39 Bcf for the week ended Friday, May 3, 2002, according to EIA's first release of its *Weekly Gas Storage Report*. Stocks were 1,594 Bcf, which is 540 Bcf, or over 51%, above the level recorded last year at this time. Although the storage overhang that persisted throughout the heating season has diminished, working gas stocks continue to be robust relative to historical norms at almost 28% above the 5-year average.



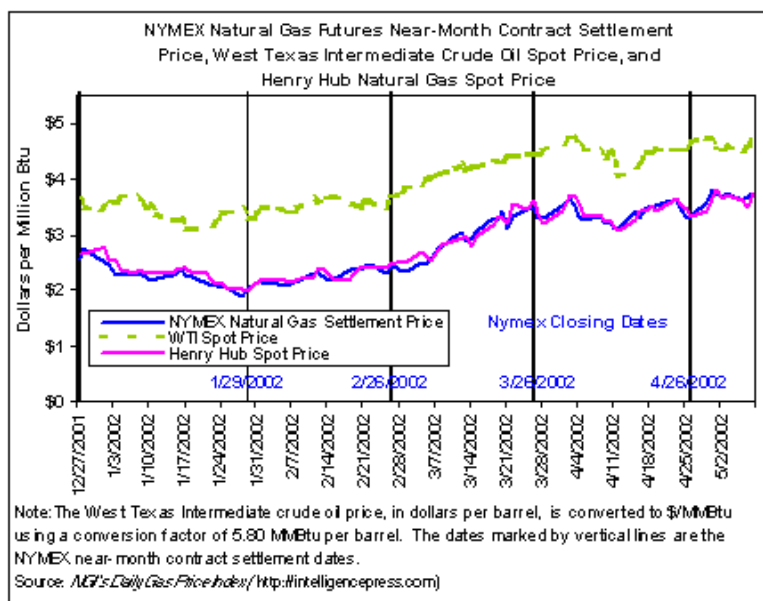
All Volumes in Bcf	Current Stocks 5/3/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Net Change from Last Week	One- Week Prior Stocks 4/26/2002
East Region	736	638	15.4%	17	719
West Region	249	188	32.4%	12	237
Producing Region	609	424	43.6%	10	599
Total Lower 48	1,594	1,250	27.5%	39	1,555

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.

## Prices

Prices at most trading locations on Thursday, May 9, showed little movement as traders awaited new estimates of storage levels in the country and forecasts indicated a cold front would relieve the South from current hot temperatures. The price of gas traded relatively flat at the Henry Hub, dropping 2 cents for an average price of \$3.72 per MMBtu. Prices were unchanged from the previous day at other locations, including the Chicago citygate and in California. In Florida, gas demand for electric generation added 7 cents to reach \$7.50 per MMBtu in the state. Considerable price variability continues to characterize trading of the Rockies. With El Paso Natural Gas conducting maintenance on its pipeline in the San Juan Basin, an excess of Rockies supply led to declines of between 25 and 50 cents at several locations.

At the NYMEX, the price of the futures contract for June delivery at the Henry Hub retreated to \$3.719 per MMBtu, a drop of \$0.027 from the previous day's close. The price for the front-month contract softened after gaining about 15 cents in the two previous trading sessions and news that storage estimates are relatively in line with expectations. The futures contract for July delivery declined \$0.026 per MMBtu to close at \$3.768.





<i>All prices in \$ per MMBtu</i>	California	Henry Hub	New York City	Chicago	NYMEX	NYMEX
	Composite Average Price*				futures contract- June delivery	futures contract- July delivery
4/11/2002	3.04	3.14	3.56	3.17	3.141	3.181
4/12/2002	2.68	3.08	3.35	3.09	3.163	3.205
4/15/2002	3.11	3.27	3.74	3.30	3.465	3.500
4/16/2002	3.31	3.43	3.88	3.44	3.329	3.367
4/17/2002	3.23	3.40	3.76	3.38	3.511	3.546
4/18/2002	3.31	3.51	3.81	3.50	3.523	3.558
4/19/2002	3.01	3.40	3.68	3.41	3.562	3.595
4/22/2002	3.32	3.58	3.97	3.59	3.616	3.646
4/23/2002	3.31	3.63	3.97	3.64	3.615	3.645
4/24/2002	3.14	3.53	3.85	3.55	3.431	3.465
4/25/2002	3.14	3.47	3.81	3.49	3.306	3.341
4/26/2002	2.70	3.32	3.66	3.33	3.372	3.407
4/29/2002	3.14	3.44	3.79	3.48	3.561	3.589
4/30/2002	3.27	3.65	3.95	3.67	3.795	3.823
5/1/2002	3.32	3.79	4.06	3.81	3.735	3.767
5/2/2002	3.15	3.65	3.91	3.66	3.684	3.721
5/3/2002	2.91	3.71	3.92	3.69	3.745	3.787
5/6/2002	3.23	3.61	3.81	3.58	3.595	3.639
5/7/2002	3.30	3.49	3.74	3.49	3.673	3.719
5/8/2002	3.39	3.74	4.01	3.74	3.746	3.794
5/9/2002	3.39	3.72	4.05	3.74	3.719	3.768

\* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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## Latest U.S. Coal Information

(updated May 10, 2002)

On May 8 the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suit brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District. The disputed practice, known as "valley fill," has been allowed for almost 20 years and proponents consider it an important component of mining coal economically at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act."

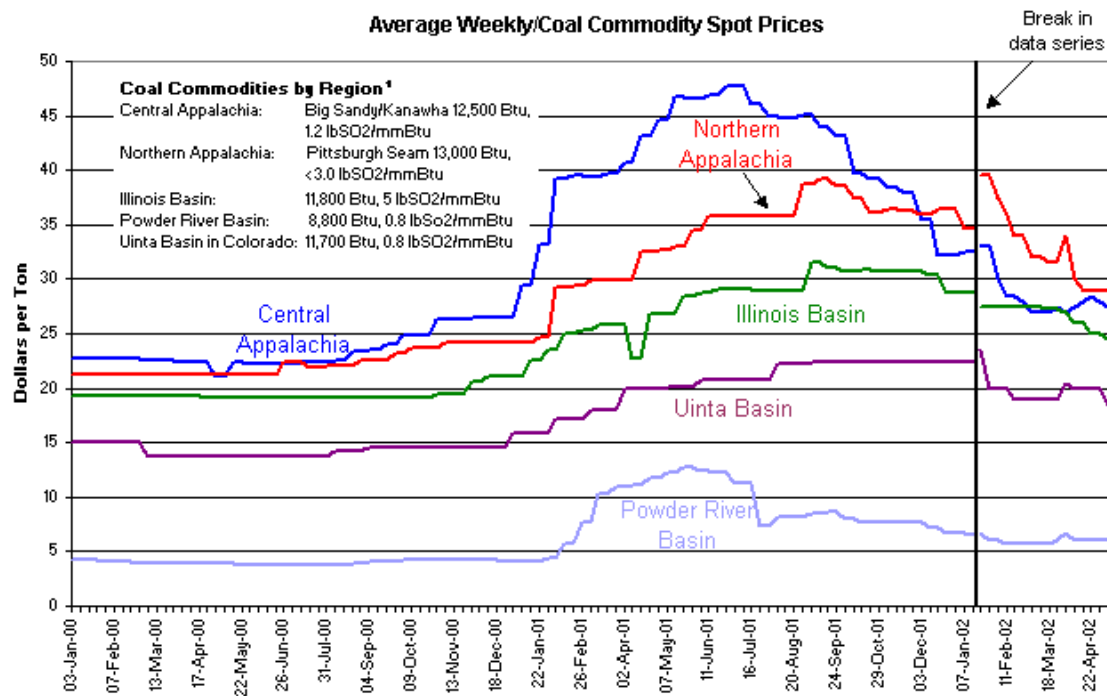
This ruling comes at a time when the Bush Administration has been moving to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the *Federal Register* that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act. The Washington Post (5/10/02) reports that the Justice Department will petition for a stay of Haden's ruling, pending an appeal. The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region.

Meanwhile, on April 24, the National Mining Association filed a motion to stay a separate, March 28 ruling, restricting land subsidence associated with underground coal mining. The Interior Department filed for a stay of that ruling on April 25. That ruling by U.S. District Judge James Robertson, of the federal district court in Washington, DC, would restrict underground coal mining under national parks, inhabited residences, and other protected areas. The court ruled in favor of the Citizens Coal Council, an environmental advocacy group, in a suit challenging the way the Department of the Interior allows permitting of underground coal mining that may cause ground subsidence in specified protected areas. This ruling would negate permitting practices that have been followed, but challenged, almost since the initiation of the Surface Mining Control and Reclamation Act of 1977. The National Mining Association (a co-defendant in the suite, along with Gale Norton, Secretary of the Interior) claims that the ruling ignores long-standing interpretation of the 1977 statute and would devastate eastern U.S. coal production.

For the week ending May 4, EIA estimates U.S. [coal production](#) at 20.1 million short tons (mst). This was 5.7% lower than in the comparable week in 2001. Year-to-date as of May 4, rail car loadings of coal and national coal production have fallen by 4.5% and 5.3%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.4% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.5% below last year's level. The estimated production for the first four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with the spring period of low seasonal demand at electric power plants.

While crude oil prices have fluctuated, mostly upward, in recent weeks, U.S. coal prices have either fallen or held relatively steady. Although price indexes changed since last summer, Illinois, Uinta, and Powder River Basin coals are continuing the level-to-slowly-declining price profiles established with the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about \$20.00 and \$10.00 per short ton,

respectively). The latest indexed spot prices, \$27.50 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 23% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin. In the latest week, coal prices either did not change or moved down by small percentages. Although [NYMEX](#) trade volumes are nominal and erratic, settled prices since early February 2002 have been relatively level, in the \$25 to \$27 range with generally low daily volumes.

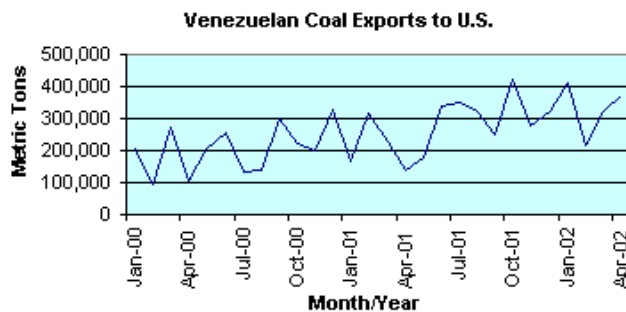


Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

<sup>1</sup>Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

Temporary disruptions in supply lines for Central Appalachian coal occurred between Thursday, May 2, and Sunday, May 5, 2002, as "heavy rain pounded a five-county area where West Virginia, Virginia and Kentucky meet, sending normally quiet streams raging over their banks" (AP, May 3, 2002). Rapid rainfall always has the potential to disrupt or flood mine workings -- in this case, State authorities intervened to control at least one spill from an abandoned waste pond in West Virginia -- but wider problems strained the distribution system. Flooding and washouts affected coal truck deliveries to prep plants and long hauls on the Norfolk Southern Railroad. High water in the Big Sandy and Tug Fork Rivers delayed barge shipments and loadings at some docks. By Monday, May 6, although rivers were still near flood stage and currents were swift, shipping was continuing with minor delays as vigilant rivermen watched for runoff surges in downstream reaches of the rivers, or in the event of new local storms. Short-term distribution problems of this kind may not be detectable in Weekly Coal Production estimates. Although they affect local routings, they do not severely disrupt State-level coal production and the overall supply chain. Localized effects and less-than-full-week delivery problems are not traceable given the source data EIA uses for weekly estimates.

Although the United States can produce sufficient coal for domestic needs, 12.5 mst were imported in 2000, about 1% of consumption. A few electric power generators situated near the Atlantic and Gulf coasts purchase imported coal because their location allows them to cash in on low mine-level prices and ocean shipping rates and because the imported coals are low in sulfur, with high heat content. In 2000, 2.0 mst of coal was imported from Venezuela.



Source: [www.globalcoal.com](http://www.globalcoal.com)

In the long term, EIA expects domestic coal supplies to be more than adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

## Latest U.S. Electricity Information

(updated May 10, 2002)

**Selected Wholesale Electricity Prices (May 3 - May 9):** Wholesale electricity prices at most trading centers in the Western U.S increased yesterday as natural gas prices increased. Prices at the COB went from \$25.91 per megawatthour to \$28.40 per megawatthour. Other factors influencing the increase in prices were transmission constraints, and forecasts for increased power demand due to higher cooling loads.

Prices in the Northeast region were mixed. Prices at the New York ISO declined from \$36.20 per megawatthour to \$35.26 per megawatthour as cooler weather remains in the forecast. ISO New England prices increased from \$32.30 per megawatthour to \$35.30 per megawatthour as natural gas prices increased and North Atlantic Energy's 1,160-megawatt plant was taken off line for a planned refueling outage.

Since Monday May 6, the average price at all trading centers has been relatively stable ranging between a high of \$30.83 per megawatthour and a low of \$29.67 per megawatthour.

**U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)**

Trading Centers	Date							Price Range		
	5/3/02	5/4/02	5/5/02	5/6/02	5/7/02	5/8/02	5/9/02	Max	Min	Average
COB	23.90	n.q.	n.q.	28.88	26.13	25.91	28.40	28.88	23.90	26.64
Palo Verde	25.22	n.q.	n.q.	29.91	28.63	27.72	30.63	30.63	25.22	28.42
Mid-Columbia	21.15	n.q.	n.q.	27.23	24.39	23.79	26.80	27.23	21.15	24.67
Mead/Marketplace	25.98	n.q.	n.q.	31.29	29.13	28.18	31.33	31.33	25.98	29.18
4 Corners	24.50	n.q.	n.q.	30.00	28.50	27.00	30.25	30.25	24.50	28.05
NP 15	26.34	n.q.	n.q.	30.04	28.97	28.05	30.72	30.72	26.34	28.82
SP 15	26.58	n.q.	n.q.	30.70	29.56	29.53	32.19	32.19	26.58	29.71
PJM West	24.34	n.q.	n.q.	26.46	26.28	27.93	29.33	29.33	24.34	26.87
ISO New England	35.31	32.38	30.18	36.66	37.88	32.30	35.30	37.88	30.18	36.26
New York ISO	38.56	32.79	29.99	36.42	43.16	36.20	35.26	43.16	29.99	36.26
Cinergy	20.58	n.q.	n.q.	22.93	23.73	28.23	28.92	28.92	20.58	24.88
Average Price	26.59	32.58	30.08	30.05	29.67	28.62	30.83	32.58	26.59	29.07

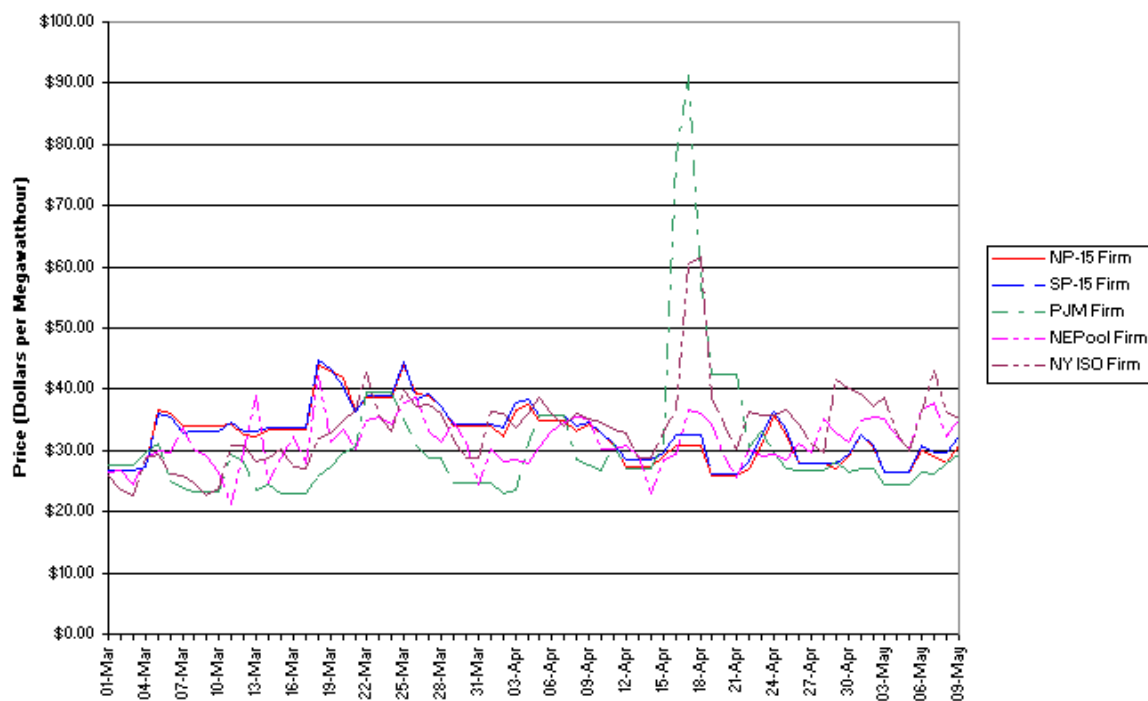
**Source:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P. ([www.bloomberg.com](http://www.bloomberg.com)), ISO New England (<http://www.iso-ne.com>), and New York ISO

**Notes:**

n.q. - No quotes available for the day.

**COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.  
**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.  
**Mid-Columbia:** Average price of electricity traded at Mid-Columbia.  
**Mead/Market** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.  
**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.  
**NP-15:** Average price of electricity traded at NP-15.  
**SP-15:** Average price of electricity traded at SP-15.  
**PJM-West:** Average price of electricity traded at PJM Western hub.  
**Nepool:** Average price of electricity traded at the New England ISO, formerly Nepool.  
**New York ISO:** Average price of electricity traded at the New York ISO.  
**Cinergy:** Average price of electricity traded into the Cinergy control area.

### Average Wholesale Electricity Prices in the U.S.



File last modified: May 10, 2002

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